

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY MANILA NIACT IMMEDIATE

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EXDIS

E.O. 11652:XDGS-3 DECLAS 12/31/94

TAGS:EGEN, RP

SUBJECT:ECONOMIC NEGOTIATIONS

REFS: A. STATE 104041

B. MANILA 5984

1. INTER-AGENCY DISCUSSIONS CONTINUING BUT WE STILL UNABLE
AUTHORIZE NEGOTIATING TEAM TO DISCUSS DRAFT TRADE AGREEMENT.
DISAGREEMENT CONTINUES TO FOCUS ON TWO BASIC PROBLEMS INDI-
CATED REFTEL A. SISCO MEETING CITED REFTEL A PRECLUDED
BY HIS CONTINUED ABSENCE.

2. AGRICULTURE'S OBJECTIONS NOT YET WITHDRAWN BUT THERE
HAVE BEEN INDICATIONS GREATER FLEXIBILITY IF THEY CAN HAVE
ASSURANCE OF SOME RECIPROCAL BENEFITS FOR U.S. IN AGRI-
CULTURAL TRADE, WHICH ARGUABLY WILL BE REQUIRED BY TRA IN
ANY CASE. ONE SUCH ITEM TENTATIVELY SUGGESTED WAS AGREE-
MENT IN SOME FORM THAT PHILS WILL ENDEAVOR TO MAINTAIN

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TRADITIONAL U.S. SHARE OF THEIR WHEAT MARKET. WE ALSO

WONDER WHETHER TARIFF REDUCTIONS ON VEGETABLE OILS AND SOY-BEANS, CITED MANILA 5616, DESPITE PESSIMISTIC VIEW TAKEN IN THAT MESSAGE COULD BE COUNTED ON TO LEAD TO LONG-TERM IMPROVEMENT IN U.S. AGRICULTURAL SALES, WITH OR WITHOUT FURTHER ADJUSTMENTS. NON-TARIFF BARRIERS ALSO BEING EXAMINED.

3. CIEP-NSC OBJECTION HAS NOW EMERGED, HOWEVER, AS PRINCIPAL OBSTACLE TO AGREEMENT. THEY BELIEVE THAT CONSULTATION AT THIS TIME WITH THE CONGRESS RE BILATERAL TRADE AGREEMENT WITH PHILIPPINES, TO BE IMPLEMENTED UNDER TRADE REFORM ACT, WOULD RUN RISK OF LOSING KEY VOTES ON TRADE REFORM ACT AT A JUNCTURE WHEN IT FACING A CRITICAL TEST. WE HAVE, OF COURSE, ADVANCED CONTRARY ARGUMENT THAT SUCH CONSULTATION COULD ADD SUPPORT FOR TRADE BILL. THIS IS SOMETHING THAT CAN BE ARGUED EITHER WAY, BUT IT IS IMPOSSIBLE TO ALLAY COMPLETELY THE FEAR THAT OPPOSITION TO ONE OR MORE SPECIFIC TRADE CONCESSIONS COULD COST US A VOTE OR TWO AT A TIME WHEN EVERY VOTE IS CRUCIAL. THEREFORE WE WOULD LIKE YOUR VIEWS ON THE FOLLOWING SCENARIO PROPOSED BY NSC-CIEP FOR CONSIDERATION:

(A) YOU WOULD EXPLAIN TO MARCOS THAT WE NOW FACE CRITICAL SITUATION ON TRADE BILL IN CONGRESS, THAT ANY EFFORT BY EXECUTIVE BRANCH TO CONSULT CONGRESS ON SPECIFICS OF POSSIBLE BILATERAL TRADE NEGOTIATIONS WITH PHILIPPINES COULD INTRODUCE NEW DISTRACTIONS AND POSSIBLY LOSE KEY VOTES, AND MIGHT IMPERIL BOTH BILL AND OVERALL TRADE POLICY IT REPRESENTS;

(B) AT SAME TIME, HOWEVER, YOU WOULD ORALLY INFORM MARCOS THAT WITH PASSAGE OF TRADE BILL WE WILL BE READY TO PROCEED UNDER ITS AUTHORIZATION WITH NEGOTIATION OF BILATERAL TRADE AGREEMENT BUT THAT WE COULD NOT BE AT ALL SPECIFIC ON SCHEDULE OF MFN TARIFF REDUCTIONS ON WHICH WE HAVE BEEN WORKING UNTIL CONGRESSIONAL CONSULTATIONS CAN BE HELD. (FYI ON BASIS TRADE STAFF COMMITTEE STUDY, ITEMS FOR CONGRESSIONAL CONSULTATION WOULD INCLUDE COCONUT OIL, PHILIPPINE MAHOGANY VENEER, COCONUT MEAT, ABACA YARN, CRUDE GLYCERINE, AND ARTICLES OF SHELL. WE ARE PREPARING
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SEPARATE MESSAGE DISCUSSING WHY OTHER ARTICLES OF PHILIPPINE INTEREST CANNOT BE INCLUDED NOW. END FYI)

(C) TEAM WOULD PROCEED TO MANILA FOR JUNE NEGOTIATIONS ON ECONOMIC TREATY, AND IF JUNE DEVELOPMENTS RE TRADE BILL INDICATE ACTION ON IT WILL BE GREATLY DELAYED, WE WOULD CONSULT WITH CONGRESS FOR TENTATIVE NEGOTIATIONS WITH PHILIPPINES ON ASSUMPTION APPROPRIATE AUTHORITY WOULD

ULTIMATELY BE ENACTED.

(D) IF MARCOS' REACTION TO SUCH DISCUSSIONS INDICATES THAT IT IS ESSENTIAL TO GIVE HIM SOMETHING IN WRITING, YOU COULD GIVE HIM CONFIDENTIAL AIDE MEMOIRE, WHICH WE WOULD LIKE TO SEE IN ADVANCE, SAYING WE PREPARED TO USE BEST EFFORTS TO OBTAIN ENACTMENT OF APPROPRIATE ENABLING LEGISLATION AND TO NEGOTIATE A TRADE AGREEMENT. SCHEDULE WITH ITEMS INDICATED ABOVE COULD BE INCLUDED ONLY IF PRIOR CONGRESSIONAL CONSULTATIONS POSSIBLE.

4. A STRONG COUNTER-ARGUMENT COULD HOWEVER BE MADE THAT:

(A) RISK OF LEAKAGE TO PRESS OR CONGRESS OF SUCH DISCUSSIONS AND CONFIDENTIAL AIDE MEMOIRE WOULD BE GREATER ULTIMATE DANGER TO TRADE BILL AND/OR AGREEMENT WITH PHILIPPINES THAN WOULD PREPARATORY CONSULTATIONS WITH CONGRESS NOW; AND

(B) IN ANY EVENT MARCOS MIGHT NOT BE PREPARED TO ISSUE HIS DECREES ON BASIS OF DISCUSSIONS CONTEMPLATED IN PARA 3 ABOVE, WITH OR WITHOUT CONFIDENTIAL AIDE MEMOIRE.

5. NEED YOUR REACTION URGENTLY ON THESE ISSUES. ALSO WOULD LIKE TO KNOW WHAT YOU THINK MARCOS WOULD DO IF THIS SCENARIO WERE FOLLOWED AND CONGRESSIONAL CONSULTATIONS, AND THEREFORE DISCUSSION OF SPECIFIC TRADE CONCESSIONS, HAD TO BE POSTPONED BEYOND JUNE.

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